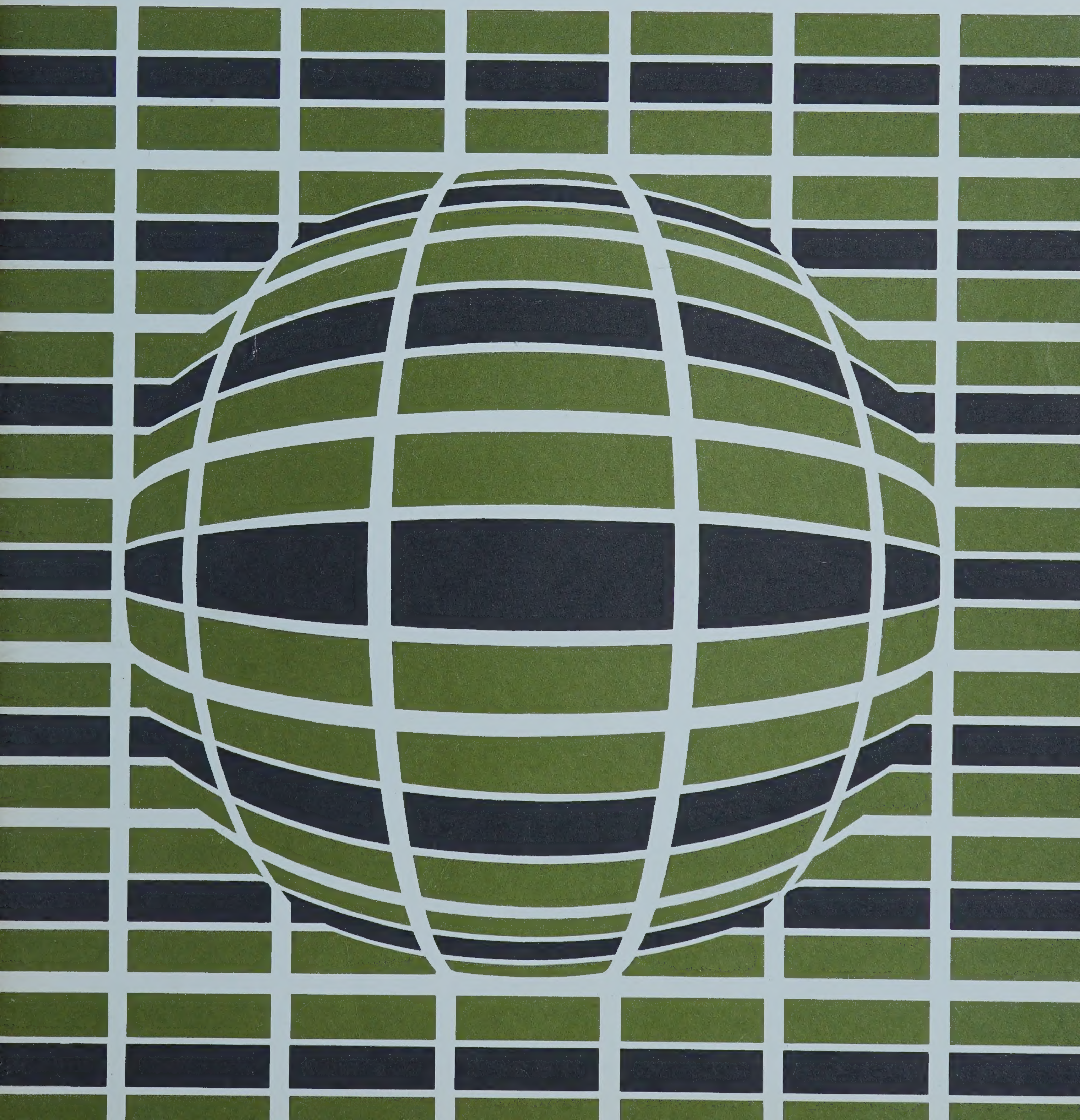
Markborough Properties Limited
Annual Report 1970



Markborough Properties Limited
Annual Report 1970

Contents

Operating, Financial and Statistical Highlights

1970 was the fifth complete year of operations of the Company.
An historical comparison of financial highlights for the five year period is presented below.

	1970	1969	1968	1967	1966
Operating					
Revenue from income properties	**$4,754,200**	$3,771,300	$3,013,500	$1,386,700	$ 773,400
Revenue from land operations	**4,002,000**	7,410,300	2,855,700	2,551,600	1,464,900
Income (loss) before taxes	**1,426,700**	2,615,200	871,300	294,900	(32,600)
Net income (loss) after taxes	**694,700**	810,200	427,300	144,900	(32,600)
Financial					
Undeveloped land	**25,591,900**	22,054,300	16,787,300	14,808,700	14,871,400
Income properties	**31,373,300**	30,095,000	27,880,400	24,027,400	12,191,500
Bank debt	**1,335,200**	3,937,500	6,325,200	6,437,700	8,822,400
Mortgage debt	**32,194,800**	29,486,300	21,410,600	15,931,900	11,408,100
Share capital	**18,590,600**	18,590,600	18,568,400	18,460,200	7,710,200
Per common share outstanding at year end					
Net income (loss)	**19.0¢**	22.2¢	11.7¢	4.0¢	(2.2¢)
Cash flow from operations	**54.2¢**	85.0¢	34.5¢	13.4¢	4.4¢
Equity	**$5.66**	$5.47	$5.24	$5.12	$5.17
Statistical					
Common shares outstanding at year end	**3,652,294**	3,652,294	3,648,494	3,627,094	1,489,100
Number of shareholders	**2,476**	2,364	1,988	1,167	235
Ratio of income properties to land held for development	**1.2 to 1**	1.4 to 1	1.7 to 1	1.6 to 1	0.8 to 1
Ratio of bank and mortgage debt to equity	**1.6 to 1**	1.7 to 1	1.4 to 1	1.2 to 1	2.6 to 1

Markborough Properties Limited

Head Office
50 Holly Street, Toronto 7

Directors

D. S. Anderson
Senior Vice President and Director
The Royal Bank of Canada, Toronto

R. C. Brown
Partner
Blake, Cassels & Graydon, Toronto

W. J. Dixon
General Manager
The Bank of Nova Scotia, Toronto

R. L. Friend
Vice President
Investors Syndicate Limited, Winnipeg

R. H. Gane
Managing Director
George Wimpey & Co. Limited, London, England

Dr. J. M. Gillies
Dean, Faculty of Administrative Studies
York University, Toronto

A. R. Grant
President
George Wimpey Canada Limited, Toronto

G. C. Gray
President
A. E. LePage Limited, Toronto

The Right Honourable Viscount Hardinge
Chairman
Greenshields Incorporated, Montreal

H. P. Langer
Executive Vice President
Markborough Properties Limited, Toronto

D. S. Lyall
Vice President, Finance
Gulf Oil Canada Limited, Toronto

B. R. B. Magee
Chairman of the Board
A. E. LePage Limited, Toronto

D. B. Mansur
Chairman of the Board
Kinross Mortgage Corporation, Toronto

A. R. Marchment
Vice President, Finance
The T. Eaton Company Limited, Toronto

P. M. McEntyre
President
Commercial Trust Company Limited, Montreal

J. C. Neely
President
Alcan Design Homes Limited, Montreal

J. H. Panabaker
Executive Vice President
The Mutual Life Assurance Company of Canada, Waterloo

D. W. Pretty
Vice President, Finance
North American Life Assurance Company, Toronto

D. F. Prowse
Executive Vice President
Markborough Properties Limited, Toronto

E. Schousboe
President
Transatlantic Securities Limited, Montreal

E. D. Scott
Vice President and Director
Greenshields Incorporated, Toronto

J. L. Toole
Chairman
CN Investment Division
Vice President
Canadian National Railways, Montreal

Officers

Brian R. B. Magee, F.R.I., S.I.R., C.R.E.
President

H. Peter Langer, F.R.I., S.I.R.
Executive Vice President

Donald F. Prowse, B.A., C.A.
Executive Vice President

George H. Mundy, C.A.
Treasurer

Ronald C. Brown, B.A.
Secretary

Legal Counsel

Blake, Cassels & Graydon
Toronto

Taylor, Joy & McKague
Toronto

Harries, Houser, Brown & McCallum
Toronto

Auditors

Price Waterhouse & Co.
Toronto

Bankers

The Bank of Nova Scotia
Toronto

The Royal Bank of Canada
Toronto

Transfer Agent and Registrar

Canada Permanent Trust Company
Toronto, Montreal, Halifax, Winnipeg, Calgary and Vancouver

Securities Listed

Montreal Stock Exchange
Toronto Stock Exchange

President's Report

Dear Shareholder:

1970, our fifth year of operation, was a year of expansion and extensive planning activity for the Company. Operations for our income-producing properties improved markedly with revenue increasing from $3,771,300 to $4,754,200. The Company was less active in land sales than in 1969 with revenue down from $7,410,300 to $4,002,000. Total assets increased from $58,864,100 to $59,764,200. Net income after taxes was $694,700 or 19.0¢ per share compared with $810,200 or 22.2¢ per share in 1969.

All of the completed rental properties in our portfolio were on stream for the full year. Our two office buildings in Thorncliffe Park, Metropolitan Toronto, are fully leased on long-term, single-tenancy leases. A major improvement was made in the operation of our apartment buildings in Etobicoke, Metropolitan Toronto, where an aggressive marketing and building improvement programme has achieved close to full occupancy at market rentals. I am pleased to report that we are also experiencing a higher lease renewal rate in all of our apartment properties than is common in competitive buildings.

In Saskatchewan, the economy lagged somewhat yet our highly popular Regina Inn complex again bettered its previous year's sales figures thanks to a conscientious staff and aggressive management.

The Company serviced less land during the year and fewer land sales were made as a consequence. Our staff and planning consultants have reached the draft plan stage for the development of a 120 acre parcel of land in the Agincourt North Community of Scarborough, Metropolitan Toronto. Included in the plan are 770 units of mixed housing, two school sites and a shopping centre, all of which will be marketed in 1972 under the terms of an existing agreement.

In November of this year we expect to complete a 170,000 square foot, eight-storey office building on the banks of the Don River in North York, Metropolitan Toronto. Its design will be similar to our successful Thorncliffe buildings with 40 foot clear spans, provision for computers on all floors and extensive underground parking. Our plans call for the subsequent development of a twin building on an adjacent 2.7 acre site.

A highlight of the year's activities was the creation of our Industrial Division. Offering a full range of construction and leasing services, the Division has considerably broadened the Company's development capabilities. It is currently building a single-floor, 90,000 square foot multiple tenancy building in the Borough of Etobicoke. We have been gratified by the amount of interest attracted by this property and have recently given occupancy to our first major tenant. The Industrial Division is actively seeking out other investment and development opportunities and is now holding parcels of land for development in Etobicoke and North York, Metropolitan Toronto.

I am delighted to report that we have now commenced the servicing of our industrial and residential lands at Meadowvale, our new town for 80,000 people, just west of Metropolitan Toronto. Rough grading of roads in the first phase of the industrial park and in our first residential community, Meadowvale South, is almost completed. Our industrial park will be ready for industry in the late summer and we expect that home builders will be able to offer their first housing for sale in the autumn of this year.

We recently announced the signing of Meadowvale's first industry, Control Data Canada Limited. Construction will commence shortly on a 146,000 square foot research, development and manufacturing centre for this, one of the world's largest computer manufacturers. When fully equipped, the facility will cost in excess of $11,000,000. Approximately 300 technically-oriented people will be employed and provision is being made for expansion to accommodate over 600 persons. The complementary nature of Meadowvale's residential and industrial areas will benefit sales of both housing and industrial land.

Interest in the Meadowvale Industrial Park is high and I expect that we shall obtain other industries in the current year. The marketing of this park is largely the responsibility of our Industrial Division.

At Meadowvale, we have converted a cluster of three farmhouses to offices for our Meadowvale staff and our planning, engineering, landscaping and architectural consultants. This enthusiastic, close-knit, planning and management group made excellent progress during the year. Draft Plan approvals have now been obtained from the Department of Municipal Affairs for the first residential and industrial stages of Meadowvale. Design of services is proceeding in several phases, architectural and

environmental design controls have been established, prototype housing is being designed and the master planning for Meadowvale West and Meadowvale North has been considerably refined.

I believe Meadowvale to be an unequalled opportunity to meet the changing housing needs of the community in a thoughtfully conceived and highly desirable environment. Together with carefully selected residential builders, we shall be making every effort to control the cost of housing and to offer a wide choice of accommodation. We shall be reinforcing our builders' efforts with a strong marketing programme including an attractive Information Centre highlighting the many unique features of Meadowvale's location and planning concepts.

The reduction in mortgage interest rates in recent weeks will do much to restore public confidence in the economy and to stimulate the housing market. However, closer co-operation between all levels of government and the development industry is essential if we are to control costs and meet the needs of our communities.

Mounting community concern over the quality of our environment and the nature of growth can have a profound effect on future patterns of development. We must reflect this concern by establishing priorities for the enrichment of our communities and their future growth. The developer's role as a co-ordinator of technical and creative skills and his investment commitment to the future enables him to contribute much to an understanding and reduction of problems facing growing communities. As the initiator of a total environment which touches every aspect of our living and working life, the development industry bears a major responsibility in shaping the future of urban areas.

I would expect the current year to be one of the most important in the Company's history to date. The four years of work and planning which have gone into Meadowvale is now for the first time being converted to physical activity on the site. The organization of our Industrial Division and its integration into the overall company operation is completed and its accelerated activities will make an increasing contribution to the Company's profits.

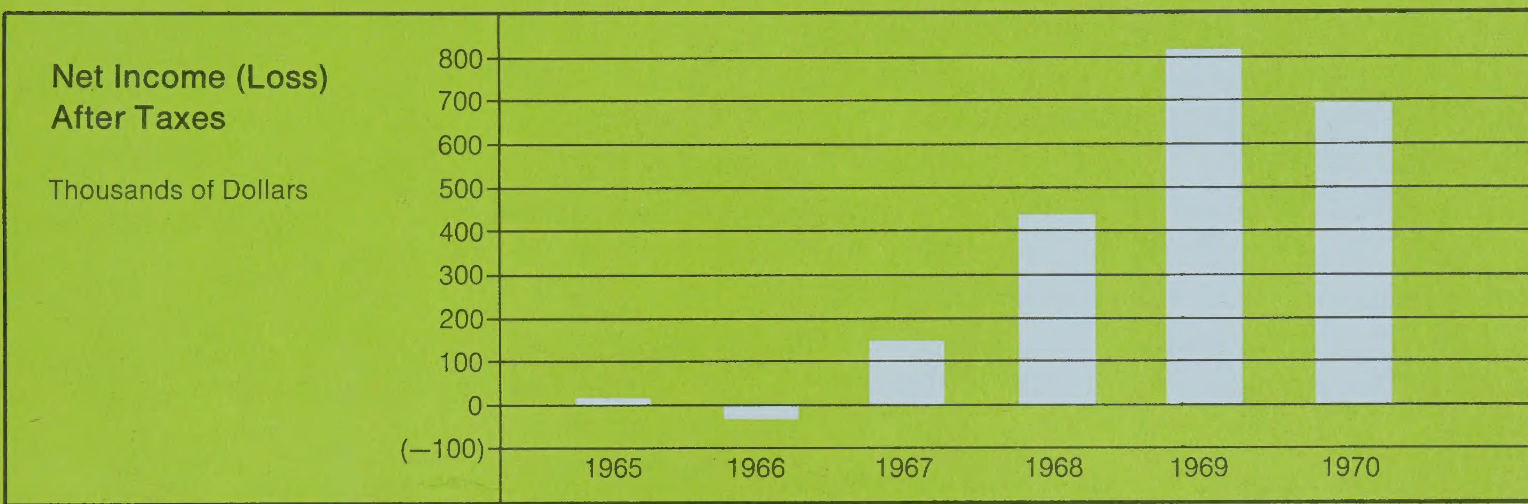
The fact that a project of the size of Meadowvale requires considerable resources and energy in its initial stages and does not produce substantial profits until a later date, is likely to have an adverse effect on 1971 profit. This should be compensated for by a resumption of our profit growth pattern in subsequent years.

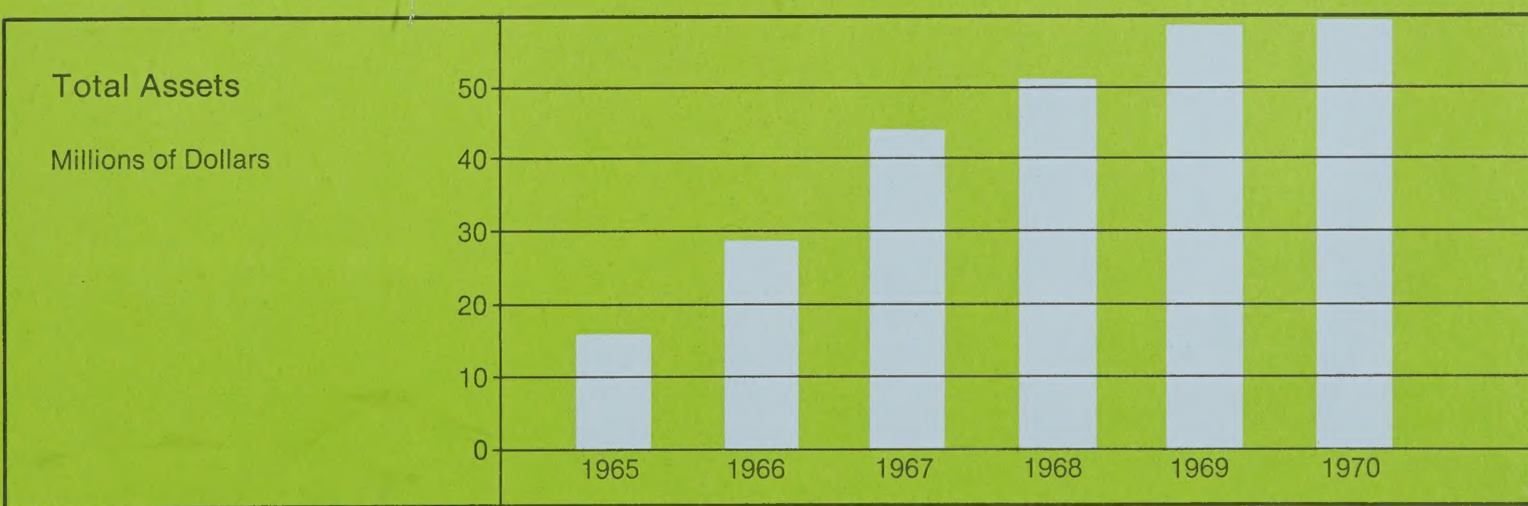
The experience and spirit of our excellent staff places us in a strong position to meet the challenges and opportunities which are now before us. Our Board of Directors actively participate in formulating the Company's policies and we are particularly thankful for their continuing efforts on our behalf.

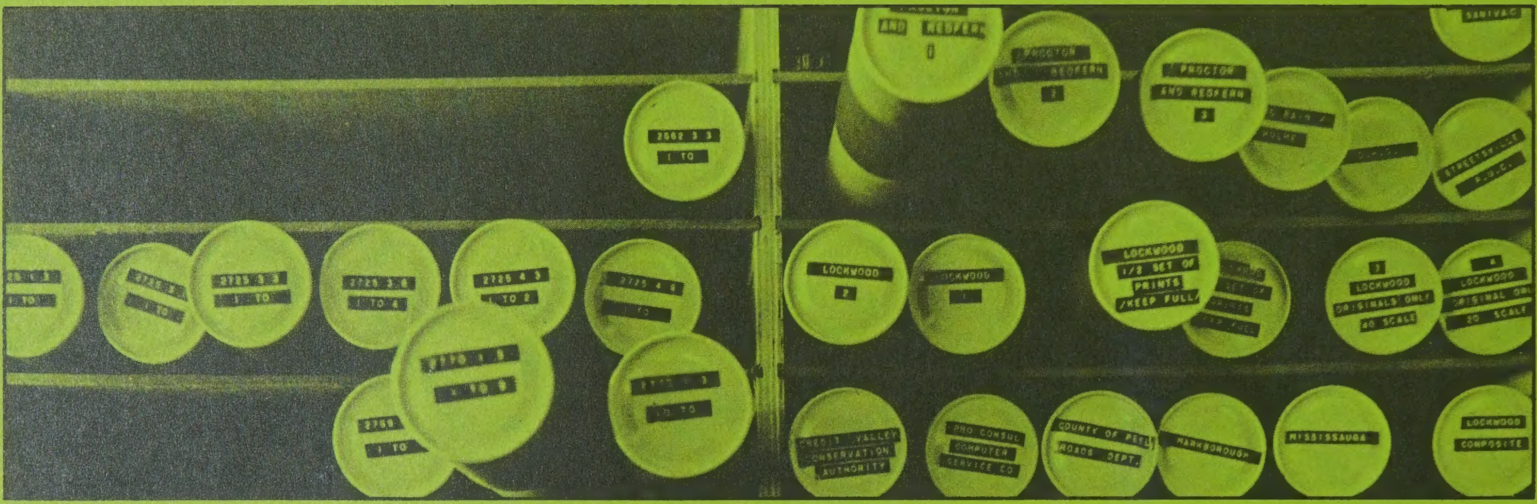
Yours very truly,

B. R. B. Magee,
President.

February 15, 1971.


Net Income (Loss)
After Taxes
Thousands of Dollars
800
700
600
500
400
300
200
100
0
(—100)
1965
1966
1967
1968
1969
1970


Total Assets
Millions of Dollars
50
40
30
20
10
0
1965
1966
1967
1968
1969
1970



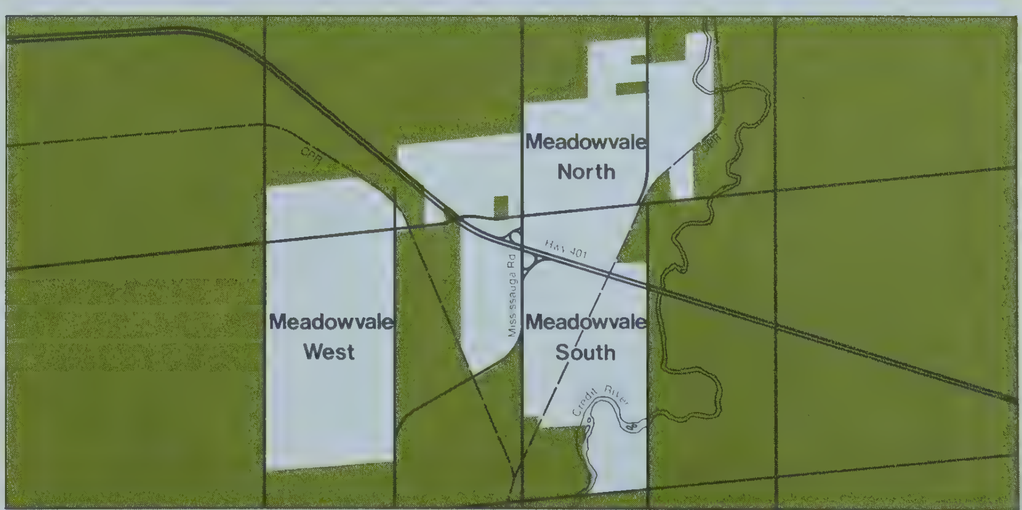
Review of Operations

Planning, in its many aspects, was again the primary activity at Meadowvale in 1970. From 1971 on, it will retain its strategic role, but the emphasis will change to the actual development of this 3,000 acre community for 80,000 persons, 30 minutes from downtown Toronto.

Several major advances in the complex chain of governmental planning approvals were accomplished during the year. The Provincial Government, through the Minister of Municipal Affairs, approved our Official Plan Amendment, which designates the land use of all our lands south of The MacDonald-Cartier Freeway (Highway 401) and permits their development. These lands comprise the 5,500 person community of Meadowvale South, the 35,000 person community of Meadowvale West, and the 500 acre Meadowvale Industrial Park. The same amendment also states that a community known as Meadowvale North will be developed on lands north of the Freeway. Draft plans for Meadowvale South, both residential and industrial, have been approved by the Towns of Streetsville and Mississauga, and three of the first five plans of subdivision have been approved by the Provincial Government.

Once the necessary zoning by-laws have been enacted and subdivision agreements concluded, plans of subdivision can be registered. These remaining approvals should be achieved in the spring of 1971.

A major boost to Meadowvale's momentum was the completion in November of the first phase of the trunk servicing of the area by the Ontario



Water Resources Commission. A 48 inch sanitary sewer was installed from the O.W.R.C.'s Streetsville Treatment Plant to Meadowvale. This section of the trunk sewer will enable us to connect our sub-trunks and thus service our residential and industrial lands in and north of Streetsville. Construction of the necessary water mains will also be sufficiently complete to enable us to be "on stream" in 1971.

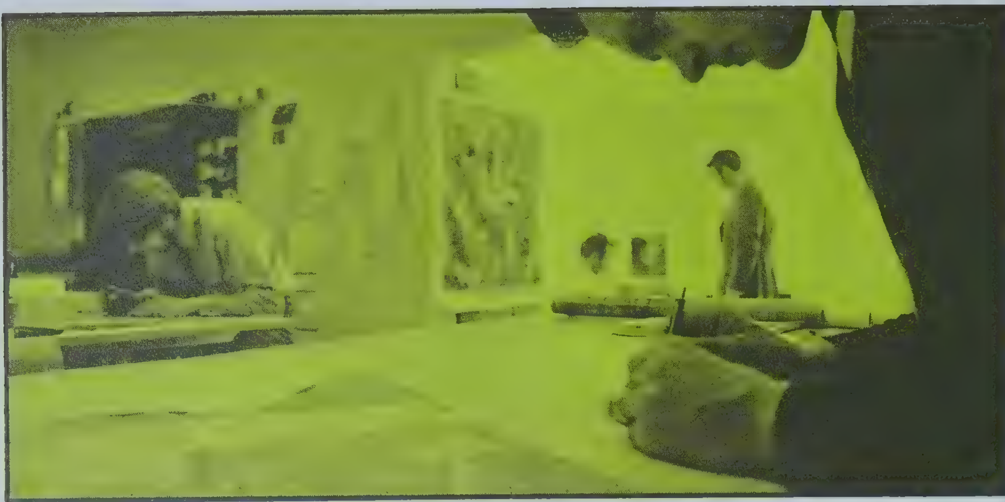
The tight control of servicing costs is essential to the success of any development, particularly one as large and complex as Meadowvale. Our engineering consultants and staff are continually exerting their best efforts to reduce the costs of storm and sanitary sewers, watermains, underground utilities, roads, sidewalks and special projects such as stream diversions. They work in close liaison with our planners to make the most efficient possible use of services in the initial community design and in subsequent phasing of development.

In December, a Christmas Tree planting ceremony in Meadowvale South was attended by civic officials from The Town of Mississauga and The Town of Streetsville and marked the start of road construction in this community. The tree was planted on the border between the two Towns, in what will become Meadow Green Park.

Preparation for the servicing of our lands is well under way, with the rough grading of roads nearly completed. Viewed from the air, the community is taking form. Top soil from the road grading operation is being stockpiled for use in the extensive park system which characterizes Meadowvale South.

A large proportion of the community's housing will overlook parkland. A pathway system within these parks will

Project office, Meadowvale



Meadowvale South model

link the single family, semi-detached, cluster, town and apartment housing with the schools, shopping centre, and community facilities. The parklands will complement the natural beauty of the nearby Credit Valley. Housing and landscaping design criteria will be established and administered under an Environmental Design Control plan. Governing the aesthetics of streetscapes, signage, lighting, street furnishings, houses and buildings, the plan will play a leading role in shaping Meadowvale's distinctive personality.

Landscape architects are an integral part of our planning, engineering and management team. The smooth functioning of this team was greatly assisted by the opening of our project office at Meadowvale in June. A gracious old farmhouse, built in 1859, has been carefully renovated inside to include display areas, meeting rooms and offices. A nearby pond will later become the basis of a lake, the focal point of Meadowvale North. Two adjacent homes have been converted for use by our planning, engineering and landscape consultants. This proximity enables our staff and consultants to be in almost constant touch, and to visit any part of the site within minutes.

The project office is the hub of the Meadowvale operation and is the scene of continuous meetings and presentations, including weekly technical co-ordinating sessions, attended by our on-site consultants and our marketing and public relations consultants. The warm atmosphere of the office has made it an ideal setting for meetings with financial groups, builders, industrial

Mississauga Deputy Reeve Roy McMillan, Markborough Executive Vice President H. Peter Langer and Streetsville Mayor Hazel McCallion at Meadowvale South tree planting ceremony.

Rough grading of roads, Meadowvale South

realtors, local residents, press, retail and commercial interests, community workers and many others who will be involved in the development of our new urban life style. Additional meeting facilities will be contained in the Meadowvale Information Centre. The Centre will also contain audio-visual display areas and will serve to introduce Meadowvale to the public. Achitectural planning of the Centre is now complete and a tentative opening date of mid-summer, 1971 has been established. It will be located on Mississauga Road, south of Highway 401.

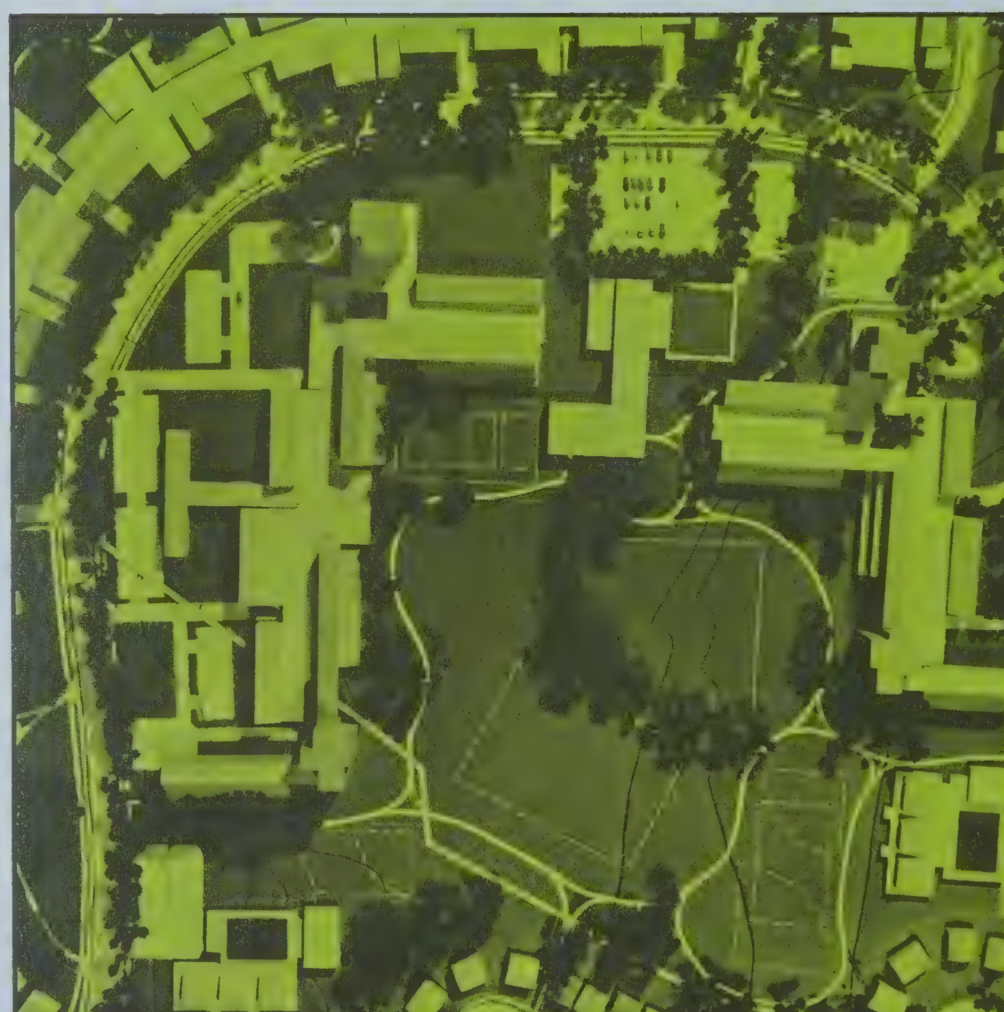
Across Mississauga Road from the Information Centre will be the Research and Development headquarters of Control Data Canada Limited, Meadowvale's first industry. Control Data has purchased a 12.5 acre parcel and optioned an additional 10.8 acres. Site preparation is underway for a 146,000 square foot building. Like other industries locating in the Industrial Park, this plant will be built in accordance with Meadowvale's protective covenants governing such considerations as building design, siting, landscaping and exterior maintenance. The Park is exhibiting a strong appeal to firms seeking large acreage in a quality setting. Sites range in area from 1 to 42 acres. Many sites have highway frontage, parkway frontage or rail sidings. The Park is a twelve minute drive from Toronto International Airport.

Design, siting and landscaping controls also guide the development of Meadowvale's housing areas. The

staging of services will enable housebuilders at Meadowvale South to offer their first homes in the coming summer. Builders are being selected on the basis of their abilities to mass produce, control quality and price and of their attitudes towards design and innovation.

The public will become well acquainted with and intrigued in Meadowvale, through a strong creative marketing programme. Our marketing consultants have given us a unique logo, novel street names such as Come-by-Chance Mews, Campobello Road, Helsinki Mews and park names such as Gatineau Green and Pathfinder Way. They have completed a Meadowvale film, industrial brochure and fact book, are designing the interior of the information centre and are preparing an elaborate marketing and advertising programme for the promotion of the community. Our public relations consultants are keeping the press advised of progress, assisting with speeches and following a detailed public relations programme. Our consultants are in contact with all activities at Meadowvale and make regular contributions to the pooling of ideas which is so important to sound planning.

Detailed planning is proceeding for the Meadowvale West Community to ensure a continuity of development now that Meadowvale South is under way. Enginering studies have shown that a lake should be feasible within the town centre and a partial redesign of the community is underway to incorporate this feature and a revised housing mix. A secondary plan for Meadowvale North is nearing completion, framing a unique urban character for this, our third community in the country.



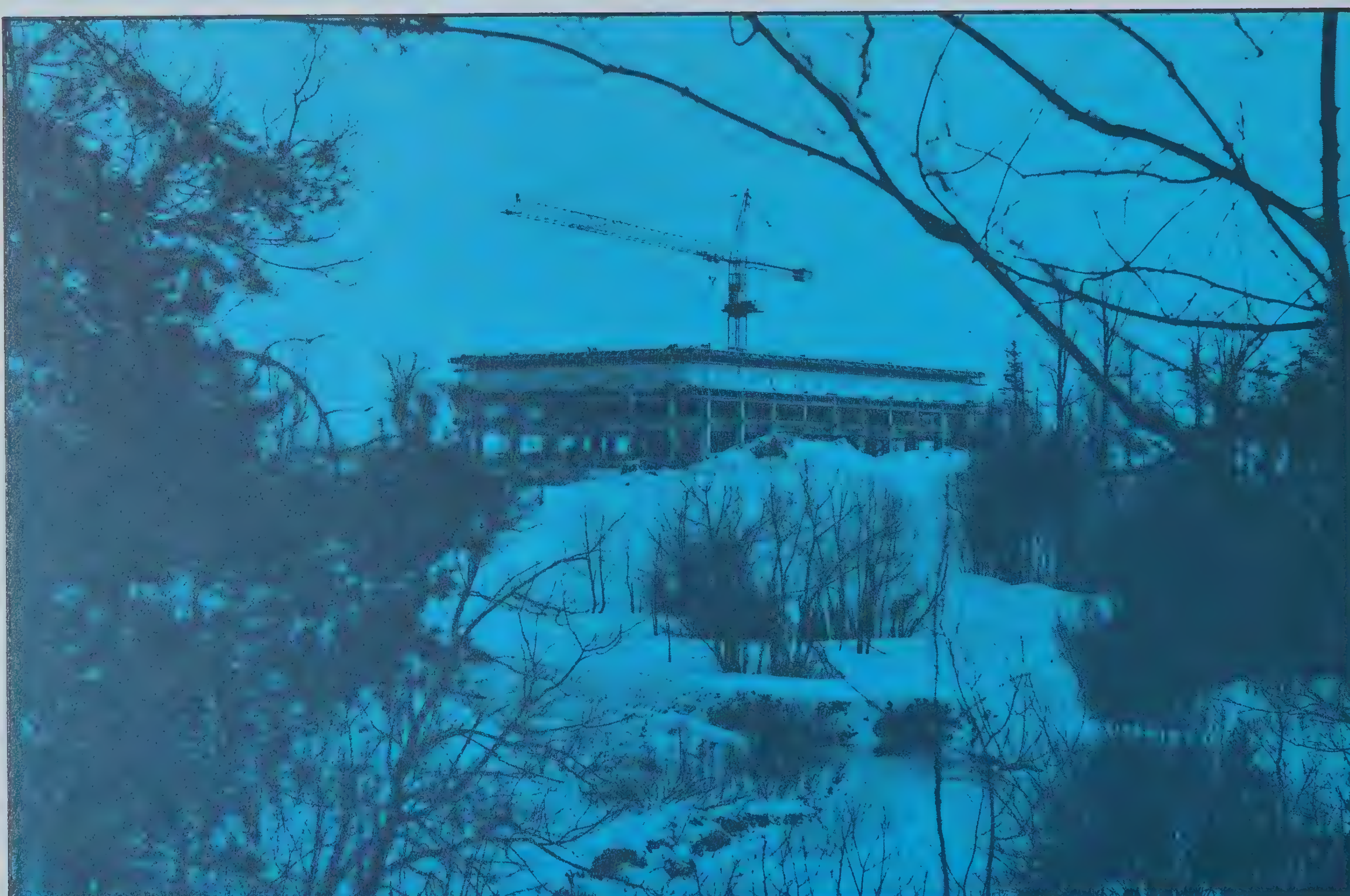
Community core, Meadowvale South

Meadowvale
a new town in the country

7 and 15 Overlea Boulevard, Metropolitan Toronto

3,000 people are now working in our two Thorncliffe Park office buildings. The 310,000 square feet of almost column-free space contained in the structures is well suited to large, clerical staffs. Features popular with employees include large cafeterias, sweeping views, an adjacent park with pool and tennis courts, bus service at the door, and the compactness of the Thorncliffe community with its high rise apartments and excellent shopping.

1970 was the first full year of operation for 7 Overlea. It is almost identical to 15 Overlea, and the mechanical performance of both buildings has been very satisfactory. Several minor improvements were made to the properties during the year, including installation of outdoor signage, flag poles and revised elevator programmes.



240 Duncan Mill Road, North York, Metropolitan Toronto

Construction of this 170,000 square foot, reinforced concrete office building is proceeding on schedule, with completion expected late in the year. The interior and exterior design of the building is similar to our successful Overlea Boulevard buildings. This is an unusual setting for an office building, a rise of land overlooking the winding Don River. With the river valley remaining in its natural state, and a sympathetic building design, the pleasant working atmosphere will give the Duncan Mill development a unique character. The area is easily accessible — close to Highway 401, the Don Valley Parkway and a new bus route. Parking is largely underground, with the roof of the garage forming a raised patio around the building.

The great flexibility possible in floor layouts will appeal to large space users requiring full floors although the building also adapts well to multiple tenancy use.

To the immediate west of 240 Duncan Mill, on an adjacent site, the company plans to develop a twin building at a later date.

Mother-child programme, The Clarion Apartments

416 The Westway

Thorncliffe Apartments, East York, Metropolitan Toronto

Thorncliffe Park remains one of the strongest rental areas in Metro Toronto. The residential portion of the community is composed exclusively of apartments. Thorncliffe is well served by public transportation, schools, a new library, churches, a major shopping centre and an expressway to downtown Toronto.

The buildings which the company co-owns, at 49 and 53 Thorncliffe Park Drive, maintained close to full occupancy during 1970. The Donview Club, a private community centre serving these and five other buildings in the area, expanded its sphere of activities to reflect the wide range of interests of the residents in our buildings. The properties are well managed, and enjoy a good reputation.

Westway Apartments, Etobicoke, Metropolitan Toronto

Our efforts to improve the occupancy, efficiency and profitability of our seven Westway area properties have shown good results. In the closing months of the year, vacancy levels were consistently below one per cent and the lease renewal rate was most gratifying.

The building improvement programme completed during the year included redecoration of lobbies and corridors, better illumination in underground parking garages, addititonal landscaping, re-equipping of recreation rooms, and exterior painting. Improvements were also made to our maintenance programme, and building superintendents were placed on an incentive system.

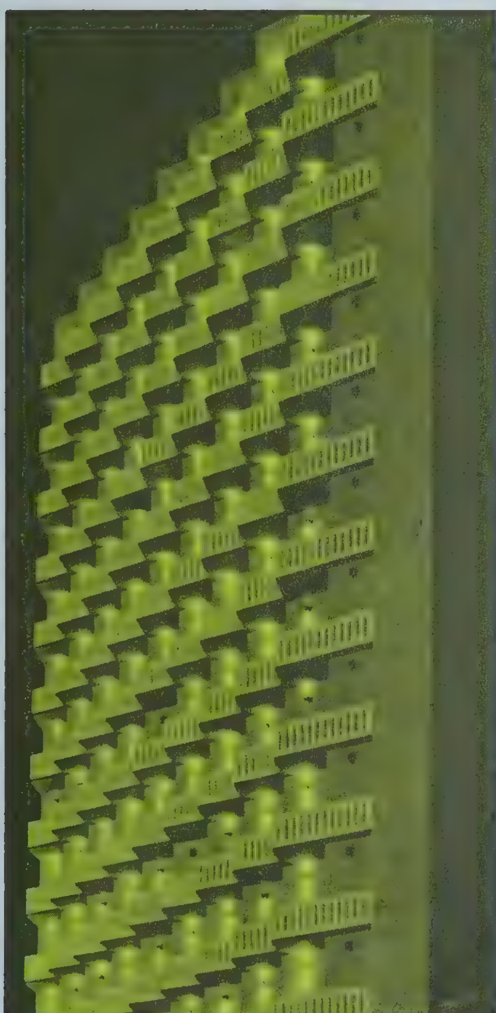
The Company believes that community vitality and interest is an essential element to the success of its rental housing and has taken several steps to encourage the development of social and recreational programmes within its buildings. Current group activities in the Westway properties include mother-child morning programmes for pre-schoolers, teen drop-in centre, table tennis tournaments, discussion groups, card clubs, baby-sitting service and movies.

Regina Centre, Regina, Saskatchewan

In its short history, the Regina Inn has earned a reputation as one of the nation's leading hotel operations, enjoying a high level of repeat business from seasoned travellers, and from groups booking its function rooms, banquet and convention facilities.

Revenue for the year was up in all departments, with strong performances shown in the Tiki Theatre Restaurant, Coffee Garden and room sales. The great hospitality, enthusiasm and competent management which characterize the operation of the Inn and its related commercial facilities extends into the staff's excellent support of community fund-raising and blood donor drives.

Summary of Income Properties



Metropolitan Toronto

Apartments:

Rideau Towers I (50% share)	49 Thorncliffe Park Drive	400 suites
Rideau Towers II (50% share)	53 Thorncliffe Park Drive	279 suites
The Somerset	605 Finch Avenue West	243 suites
The Clarion	20 Redgrave Drive	178 suites
The Westway	416 The Westway	102 suites
Westway Maisonettes	65 Sandwell Drive	16 suites
The Westerham	63 Callowhill Drive	112 suites
311 Dixon Road	311 Dixon Road	173 suites
Martinway Towers (70% share)	695 Martin Grove Road	141 suites
	60 Callowhill Drive	141 suites

Commercial:

Office Building	7 Overlea Boulevard	150,000 sq. ft.
Office Building	15 Overlea Boulevard	160,000 sq. ft.
Service Station Site (leased to oil company)	418 The Westway	

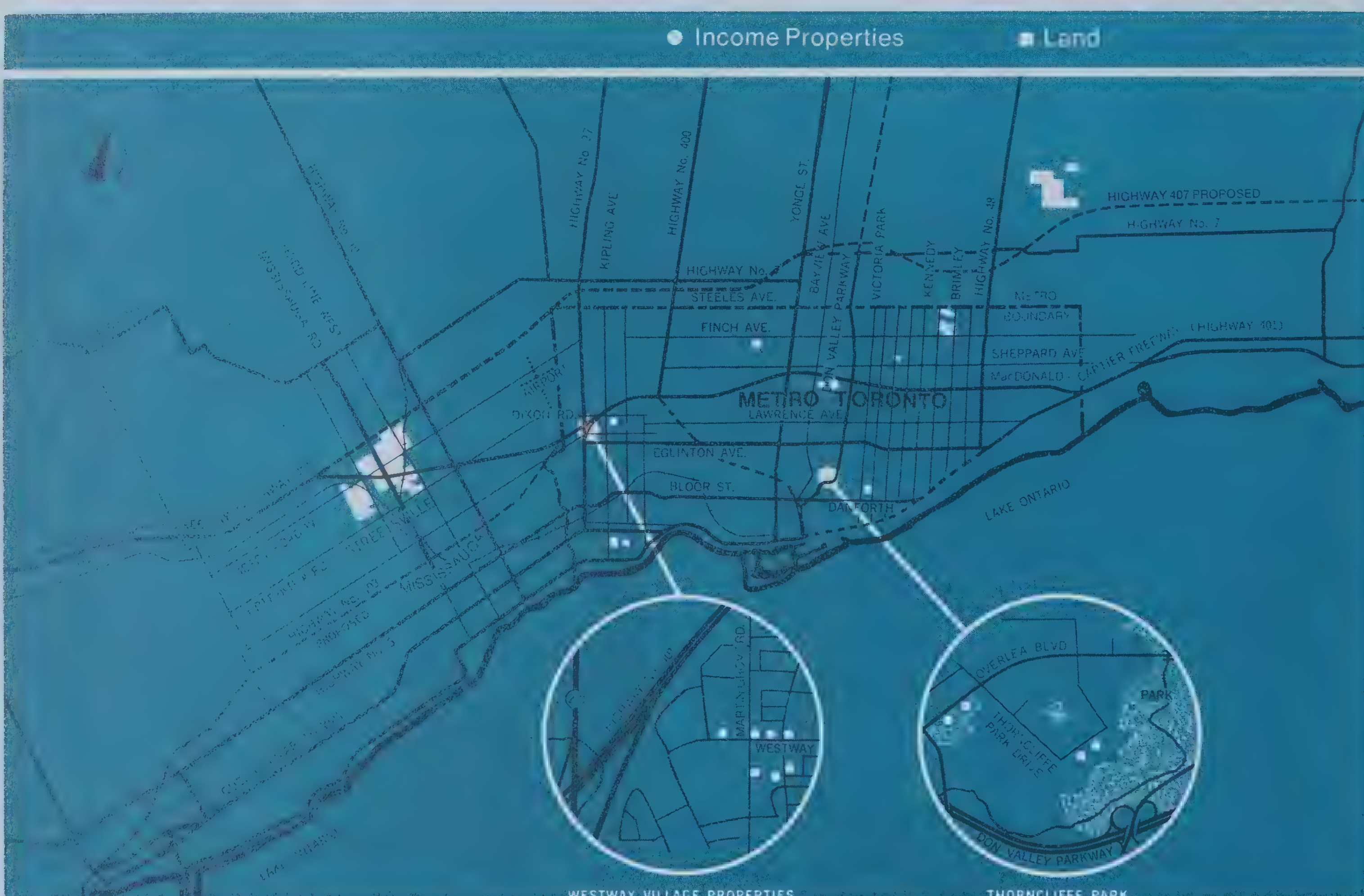
Under Construction:

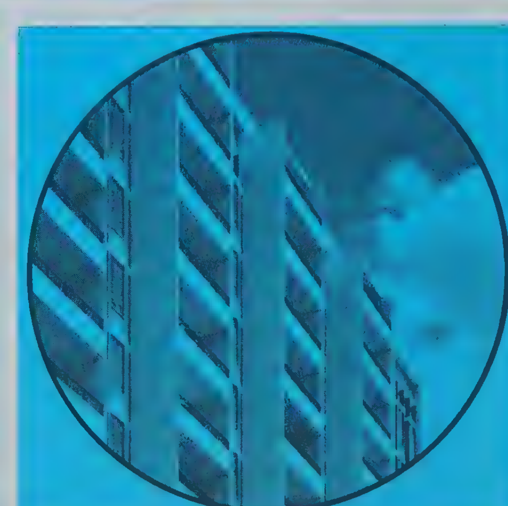
Office Building	240 Duncan Mill Road	170,000 sq. ft.
Industrial Building	75 Horner Avenue	90,000 sq. ft.

Regina, Saskatchewan

Regina Centre (50% share) Hotel, shopping complex	1975 Broad Street	240 rooms

Properties in the Metropolitan Toronto Area





Industrial Division

In August, the Company announced its entry into the specialized field of industrial real estate development. The new division received prompt recognition, as the four men in its executive team were associated together before joining Markborough, and are well-known and respected in the industry.

The division is continually evaluating possible land acquisitions and development opportunities. In a typical transaction, it will acquire a well-located parcel of industrial land after carefully analyzing market potentials, specify and oversee design of facilities, do its own construction work and lease or sell the resulting development. The division is capable of undertaking all sizes and complexities of industrial developments. Its team has considerable experience in assembling "package deals", translating an industrial user's requirements into a fully completed, custom-designed building, with a minimum of involvement on the user's part.

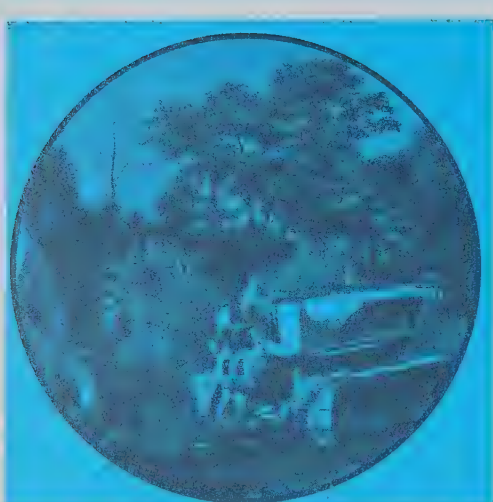
The first project of the Industrial Division, a 90,000 square foot, single floor, multiple tenancy building in Etobicoke, Metropolitan Toronto, is nearing completion. Situated on a 4.6 acre site in a top quality industrial area, 75 Horner Avenue is attractively designed, easily adaptable to small and large space users, offers truck level loading docks and has an ample supply of paved, landscaped parking. Downtown Toronto is 10 miles away, via the nearby Queen Elizabeth Way. Bus service has recently been extended into the area and a stop is located in front of the building. The Company is considering the construction of a similar sized, multiple tenancy building on a 4.0 acre site that it owns next door to the Horner Avenue property.

75 Horner Avenue (see sketch on page 23)

On Coldwater Road, a cul-de-sac in a prestige industrial park in North York, Metropolitan Toronto, the Division will soon commence the construction of a 54,000 square foot building on a 2.7 acre site. Units of 2,300 square feet and up will be available in this building.

The Meadowvale Industrial Park is a major responsibility of our Industrial Division. It has assisted our planning consultants in the design of the Park, and is actively promoting the sale of industrial sites at Meadowvale. Services in the first stage of the Park will be installed during the coming summer.

Land



1062-1090 West Georgia Street, Vancouver, B.C.

In addition to its Meadowvale lands, Markborough Properties Limited maintains a large and mixed inventory of land for short, medium and long term development. Included in these holdings are: a small shopping centre site in Beaconsfield, P.Q.; 850 acres in Markham Township, north-east of Metropolitan Toronto; the co-ownership of a 120 acre parcel of residential-commercial land and 152-suite apartment site in Scarborough, Metropolitan Toronto; a 160 acre parcel in Scarborough; the previously mentioned industrial and office building sites in the Toronto area; and downtown redevelopment sites in Winnipeg, Manitoba and Vancouver, B.C.

Draft plans for the development of the 120 acre Scarborough parcel have been submitted to the Municipality for approval. To increase the range of housing available to the buying public, our staff and consultants have included many 40 foot building lots in the plan. Over one-third of the 770 housing units proposed are town houses. Installation of services in this subdivision will begin towards the end of the year. When this project nears completion, the Company will begin to develop an adjoining, wholly-owned 160 acre parcel in the Milliken community of Scarborough.

The sale of the 152-suite apartment site on Warden Avenue, in our Fields of Agincourt subdivision, Scarborough, is expected during the year. Profit from this sale will be shared equally with a co-owner. The Company will not be developing rental apartment properties for its investment portfolio until the yields shown by new apartment buildings improve considerably.

During the year, lands sold by the Company included a 556-suite apartment site on Pharmacy Avenue, Scarborough. The Company had previously rezoned the site from its former industrial use. In its Fields of Agincourt subdivision, Markborough sold its interest in a 6.45 acre, 96-unit town house site, after obtaining approval for the development of condominiums.

The 850 acre Markham assembly being held for long-term development is in an area of great natural beauty, close to Metropolitan Toronto, with excellent commuter train potential.

The Company has welcomed the increased pace of building activity in Winnipeg. Several proposals for the development of its 4.85 acre site at Balmoral Street, Ellice Avenue and Kennedy Street have been considered and the Company is re-evaluating the best use for the property.

Redevelopment of our excellent Georgia and Thurlow site in downtown Vancouver is being considered, but will have to wait until our tenants' leases expire in 1972. The strategic quality of the location is being enhanced by several major commercial developments now under development in the immediate area.

Financial Statements

PRICE WATERHOUSE & CO.
Chartered Accountants

P.O. Box 51
Toronto-Dominion Centre
Toronto 111

November 27, 1970

To the Shareholders of
Markborough Properties Limited:

We have examined the consolidated balance sheet of Markborough Properties Limited and its subsidiaries as at October 31, 1970 and the consolidated statements of income and expenses, retained earnings and source and application of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at October 31, 1970 and the results of their operations and the source and application of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants

Consolidated Statement of Income and Expenses

For the Year Ended October 31, 1970
(with comparative figures for 1969)

	1970	1969
Revenue from income properties (Note 1)	$4,754,200	$3,771,300
Less:		
Operating expenses	1,131,400	856,800
Mortgage and other interest	1,646,900	1,447,100
Realty taxes	908,900	712,600
Depreciation (Note 2)	551,300	491,100
	4,238,500	3,507,600
Profit from income properties	515,700	263,700
Revenue from land operations	4,002,000	7,410,300
Less cost	2,840,900	4,913,300
Profit from land operations (Note 3)	1,161,100	2,497,000
Interest and other income	294,800	334,100
Income before general and administrative expenses	1,971,600	3,094,800
General and administrative expenses:		
Executive and office salaries	215,900	176,000
Bank interest	60,100	60,900
Other	268,900	242,700
	544,900	479,600
Net income before income taxes	1,426,700	2,615,200
Provision for income taxes, deferred (Note 4):		
Regular	732,000	1,351,000
Additional (Note 5)	—	454,000
	732,000	1,805,000
Net income for the year	$ 694,700	$ 810,200
Earnings per share (based on shares outstanding at year end) — (Note 12 (c))	19.0¢	22.2¢

Consolidated Statement of Retained Earnings

For the Year Ended October 31, 1970
(with comparative figures for 1969)

	1970	1969
Retained earnings at beginning of year	$1,371,200	$ 561,000
Net income for the year	694,700	810,200
Retained earnings at end of year	$2,065,900	$1,371,200

Markborough Properties Limited
(incorporated under the laws of Ontario)

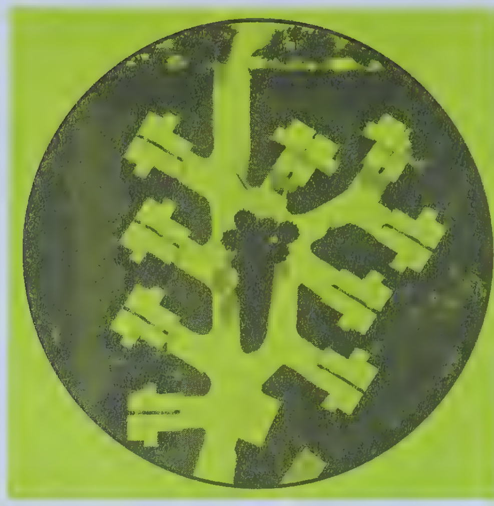
Consolidated Balance Sheet — October 31, 1970
(with comparative figures at October 31, 1969)

Assets	1970	1969
Accounts receivable	$ 363,700	$ 260,400
Mortgages and other secured receivables (Note 6)	1,711,700	3,815,900
Land (Note 7):		
Under sales and option agreements (Note 8) —		
Developed	243,200	1,739,200
Undeveloped	1,726,900	1,763,000
For future development	23,865,000	20,291,300
	25,835,100	23,793,500
Advances relating to joint ventures	—	397,400
Prepaid expenses and other assets	480,400	501,900
Income properties (Note 7):		
Land	3,783,200	3,227,100
Buildings	27,079,000	27,093,000
Equipment	1,184,300	1,140,000
Construction in progress (Note 9)	1,243,200	—
	33,289,700	31,460,100
Less accumulated depreciation	1,916,400	1,365,100
	31,373,300	30,095,000
	$59,764,200	$58,864,100

On behalf of the Board:

B. R. B. Magee, *Director*

D. F. Prowse, *Director*



Liabilities and Shareholders' Equity

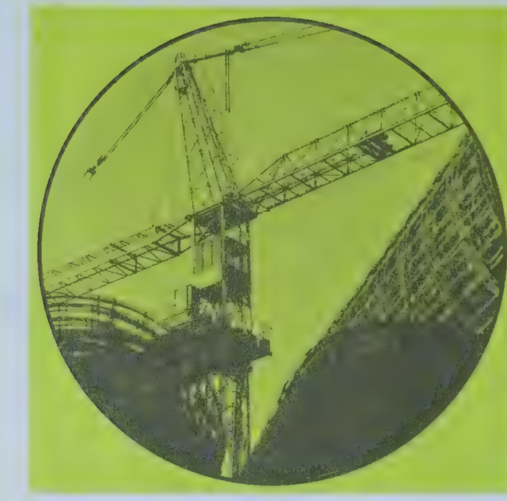
	1970	1969
Bank indebtedness	$ 1,335,200	$ 3,937,500
Accounts payable and accrued liabilities:		
On construction and development in progress	470,900	650,700
Other, including accrued interest	939,200	1,053,200
Provision for development costs (Note 10)	576,600	915,600
Amount payable under land purchase agreement, due July 1972	460,000	460,000
Mortgages payable (Note 11)	32,194,800	29,486,300
Deferred income taxes (Note 4)	3,131,000	2,399,000
	39,107,700	38,902,300
Shareholders' equity:		
Capital stock (Note 12) —		
Authorized — 6,000,000 common shares, no par value		
Issued — 3,652,294 shares	18,590,600	18,590,600
Retained earnings	2,065,900	1,371,200
	20,656,500	19,961,800
	$59,764,200	$58,864,100

Consolidated Statement of Source and Application of Cash

For the Year Ended October 31, 1970
(with comparative figures for 1969)

	1970	1969
Cash was provided from:		
Operations:		
Net income for the year	$ 694,700	$ 810,200
Add expenses included therein not requiring a current outlay of cash —		
Depreciation	551,300	491,100
Income taxes, deferred	732,000	1,805,000
	1,978,000	3,106,300
Mortgages on income properties and land	3,326,600	9,693,300
Land, development and related costs realized through sales	2,840,900	4,913,300
Decrease (increase) in —		
Accounts, mortgages and other secured receivables	2,000,900	(1,114,700)
Other assets and liabilities	125,100	(254,500)
Common shares, proceeds from sale	—	22,200
Total cash provided	10,271,500	16,365,900
Cash was applied to:		
Income property construction	1,273,500	2,705,700
Land:		
Acquisition	3,843,100	7,128,500
Development and related costs	1,020,400	1,942,600
Carrying charges	914,100	583,800
Mortgage principal repayments:		
Income properties	273,300	233,000
Land	344,800	1,384,600
Total cash applied	7,669,200	13,978,200
Net incoming cash applied to bank indebtedness	$ 2,602,300	$ 2,387,700

October 31, 1970



1. Revenue from Income Properties:

Revenue from income properties includes gross rental revenue from all the Company's properties except Regina Centre. Amounts relating to this operation have been included after deducting direct operating expenses.

2. Depreciation Policy:

The buildings included in income properties are being depreciated on a 3%, 40 year sinking fund basis. Under this method depreciation is charged to income in an amount which increases annually, consisting of a fixed charge together with interest compounded at the rate of 3% per annum, so as to fully depreciate the buildings over a 40 year period. Equipment is being depreciated at 15% on a straight line basis.

3. Profit from Land Operations:

In June 1969, the Ontario Securities Commission published Guidelines relating to the recognition of profits in real estate transactions. The Company's accounting policies comply with these Guidelines.

4. Deferred Income Taxes:

In calculating taxable income the Company avails itself of certain provisions of the Income Tax Act to eliminate taxes currently payable, and as a result all provisions for income taxes to date are shown in the balance sheet as deferred income taxes. Based on the Company's projections of future taxable income, no portion of the deferred tax liability will be payable before 1975.

5. Additional Income Taxes:

The additional tax provision in 1969 resulted from a higher than normal tax liability incurred on certain lands sold during that year. These lands were acquired on amalgamation in 1965 and had been carried in the accounts at values in excess of those recognized for tax purposes (see Note 7). Accordingly, on these land sales, income subject to tax exceeded that recorded in the Company's accounts.

6. Mortgages and Other Secured Receivables:

Mortgages and other secured receivables, which arise from land transactions, bear interest from 7% to 9½% and mature as follows:

Fiscal year ending	
October 31, 1971	$1,496,000
1972	215,700
	$1,711,700

Under certain conditions the amounts due may be paid prior to maturity.

7. Valuation of Land and Income Properties:

On August 12, 1965 Markborough Limited and Highbury Properties Limited amalgamated under the Ontario Corporations Act to form Markborough Properties Limited. Land originally held by Markborough Limited was recorded at cost. Land and income properties held by Highbury Properties Limited were recorded at approximately $1,800,000 less than the valuation at the date of amalgamation and approximately $4,100,000 in excess of the values recognized for income tax purposes. The potential tax liability created by this excess was taken into account in arriving at the values used.

Part of the property to which this excess applied was sold during 1969 (see Note 5) and as a result the balance was reduced to approximately $3,200,000 allocated as follows:

Income properties:		
Land	$1,100,000	
Buildings	300,000	
		$1,400,000
Land for future development		1,800,000
		$3,200,000

The increment shown above relating to income properties will not result in additional taxes unless the properties are sold. At the present time it is not the Company's intention to sell these properties.

The land for future development subject to the increment is part of the Company's Meadowvale project. It is estimated that sales in this part of the project will extend over a twelve to fifteen year period and additional taxes of approximately $950,000 will be charged to income over that period.

Additions to land and income properties since August 12, 1965 are at cost which includes applicable carrying charges (interest and real estate taxes). The carrying charges added to land under sales and option agreements are fully recoverable under the terms of the agreements. Carrying charges accumulated to date on land for future development amount to $1,806,000, including $752,000 in the current year.

8. Land Under Sales and Option Agreements:

The major portion of land in this category has been optioned to a potential purchaser. Should the options not be exercised the Company will receive substantial amounts as compensation under the terms of the agreements.

9. Construction in Progress:

The estimated cost to complete construction of two projects in progress is approximately $4,800,000. Interim financing on one of the projects has been arranged in the amount of $4,000,000 U.S., to be drawn down in 1971, repayable on or before December 31, 1973. Permanent financing on both projects will be arranged in due course.

10. Provision for Development Costs:

The Company estimates and provides for the full cost of servicing subdivisions currently under development. The provision for development costs is the unexpended portion of these estimates.

11. Mortgages Payable:

Mortgages payable comprise the following:

On land under sales and option agreements, at an average interest rate of 5.4% with varying repayment terms and maturing by 1976	$1,239,800
On land for future development, at an average interest rate of 7.7% with varying repayment terms and maturing by 1991	8,125,400
On income properties, at an average interest rate of 7.4% payable in equal instalments of principal and interest and maturing by 2003	22,829,600
	$32,194,800

Mortgages on income properties include $5,342,000 payable in United States funds converted at the exchange rates prevailing when the funds were received. Based on the October 31, 1970 exchange rate, the Company's liability on these mortgages is approximately $305,000 less than the amounts recorded. This amount will be taken into income if and when realized.

Principal repayments are due approximately as follows:

Fiscal year ending October 31, 1971	$ 981,500
1972	1,825,100
1973	1,155,300
1974	1,566,200
1975	1,347,800
Subsequent to October 31, 1975	25,318,900
	$32,194,800

12. Capital Stock:

(a) During 1967 share purchase warrants were issued in connection with a public offering of 1,200,000 common shares and as a result 300,000 common shares are reserved for the exercise of these warrants. Such warrants entitle the holders thereof to purchase common shares at a price of $7 if exercised before the close of business on August 1, 1972.

(b) During the year ended October 31, 1970 an option on 5,000 shares at $5 per share was granted to an employee. No options were exercised during the year. At October 31, 1970 options to purchase 25,000 shares at $5 (expiring 1976 to 1980) and 12,800 shares at $5.85 (expiring 1978) were outstanding. A further 27,000 shares are reserved for the granting of future options.

(c) If the warrants and options referred to above were exercised, there would be no dilutive effect on the Company's earnings per share.

13. Joint Ventures and Subsidiaries:

(a) Five of the Company's income properties are co-owned with other corporations under joint venture agreements. In such cases, the consolidated financial statements include only the Company's share of the assets, liabilities, revenues and expenses. The Company is contingently liable at October 31, 1970 for $7,160,000, representing the liabilities in the joint ventures of its co-owners, but against such contingent liability the Company would have a claim upon the joint venture assets of its co-owners. The value of these joint venture assets exceeds the contingent liability.

(b) The Company has two subsidiary companies, both wholly owned; Northhaven Farms Limited, which farms the Company's land for future development, and Canada Centre Development Corp. Ltd., which is inactive. The consolidated financial statements include the accounts of these subsidiaries.

14. Remuneration to Directors and Senior Officers:

The aggregate direct remuneration paid or payable to the directors and senior officers of the Company in respect of the year ended October 31, 1970 was $154,000 (1969 — $141,000).

Design proposal, Meadowvale Information Centre

Markborough Properties Limited

Head Office
50 Holly Street, Toronto 7

Consolidated Statement of Source and Application of Funds
For the Six Months Ended April 30, 1970 (Unaudited)
(with comparative figures for the six months ended April 30, 1969)

	1970	1969
Funds were provided from:		
Operations:		
Net income for the period	$ 109,700	$ 425,600
Add expenses included therein not requiring a current outlay of funds:		
Depreciation	266,500	223,600
Income taxes, deferred	109,000	1,030,000
	485,200	1,679,200
Land, development and related costs realized through sales	902,600	2,636,400
Bank advances	—	2,155,700
Mortgages on income properties and land	3,007,800	1,547,100
Common shares, proceeds of issue	—	15,200
Total funds provided	4,395,600	8,033,600
Funds were applied to:		
Land:		
Acquisition	3,415,400	2,982,000
Development and related costs	601,900	688,700
Carrying charges	503,200	193,000
Income properties, construction and acquisition	322,700	1,852,000
Mortgage principal repayments	393,800	888,900
Bank indebtedness	139,900	—
Total funds applied	5,376,900	6,604,600
Net increase (decrease) in other assets and liabilities	$ (981,300)	$1,429,000
Represented by:		
Increase (decrease) in:		
Accounts, mortgages and other secured receivables	$(1,181,000)	$1,575,600
Deposits on property purchases	—	204,100
Advances relating to joint ventures	(30,400)	(235,600)
Prepaid expenses and other assets	62,200	(38,100)
	(1,149,200)	1,506,000
Deduct increase (decrease) in:		
Accounts payable and accrued liabilities	(176,500)	(72,200)
Amount payable under land purchase agreement	—	140,000
Security deposits by lessees	8,600	9,200
	(167,900)	77,000
Net increase (decrease) in other assets and liabilities, as above	$ (981,300)	$1,429,000

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MARKBOROUGH PROPERTIES LIMITED

file

Interim Report to the Shareholders for the Six Months Ended April 30, 1970

MARKBOROUGH
PROPERTIES LIMITED

Dear Shareholder:

Unaudited figures for the six months ended April 30, 1970 are now available. Net income for the period was $109,700 compared to $425,600 in the same period last year. Although economic conditions temporarily affecting our industry are difficult, the remaining months of our current fiscal year will show considerable improvement over the first half. The nature of the Company's business is such that income can fluctuate considerably and results in the short term are not necessarily an indication of longer term trends. I would expect that net income for the year will not be significantly below 1969's net income.

Revenue from income properties improved both on a gross and net basis. The 1970 figures include the operation of our recently completed second office building. Also included this year are substantially improved results of certain apartment buildings which were not operating satisfactorily a year ago. It is expected that income from these buildings will continue to strengthen in the coming six months.

Land sales revenue and profit were lower but various transactions now under way will improve this income in the latter half of the year.

Progress towards development of our new Meadowvale community west of Toronto, is most encouraging. We have now established an on-site office for our Meadowvale staff and planners. We are about to commence construction of a unique information centre containing exhibit space, a theatre and offices. Servicing of the Meadowvale lands will commence this fall.

May 28, 1970 B. R. B. Magee, President

Consolidated Statement of Income and Expenses For the Six Months Ended April 30, 1970 (Unaudited)

(with comparative figures for the six months ended April 30, 1969)

	1970	1969
Revenue from income properties	$2,295,700	$1,660,100
Less:		
Operating expenses	560,800	378,600
Mortgage and other interest	831,700	637,600
Realty taxes	445,900	338,900
Depreciation	266,500	223,600
	2,104,900	1,578,700
Profit from income properties	190,800	81,400
Revenue from land operations	1,011,200	4,094,000
Less cost	902,600	2,636,400
Profit from land operations	108,600	1,457,600
Interest and other income, net	182,000	136,800
Income before general and administrative expenses	481,400	1,675,800
General and administrative expenses:		
Executive and office salaries	93,000	82,500
Bank interest	42,800	10,500
Other	126,900	127,200
	262,700	220,200
Net income before income taxes	218,700	1,455,600
Provision for income taxes, deferred:		
Special	—	278,000
Normal	109,000	752,000
	109,000	1,030,000
Net income for the period	$ 109,700	$ 425,600
Earnings per share	3.0¢	11.7¢

Consolidated Statement of Retained Earnings For the Six Months Ended April 30, 1970 (Unaudited)

(with comparative figures for the six months ended April 30, 1969)

	1970	1969
Retained earnings at beginning of period	$1,371,200	$ 561,000
Net income for the period	109,700	425,600
Retained earnings at end of period	$1,480,900	$ 986,600